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FOUR DEFENDANTS INDICTED ON SACRAMENTO AREA MORTGAGE FRAUD SCHEME

SACRAMENTO -- United States Attorney McGregor W. Scott announced today that three defendants will appear in federal court today to face charges that they engaged in a Sacramento area mortgage fraud scheme that involved at least 19 homes with loans of more than \$8 million. A federal grand jury returned an indictment last Thursday, sealed until today, charging JAMES ROY MARTIN, 36, MARIO FELLINI, III, 38, GABRIEL RICHARD VIRAMONTES, 44, and JOSEPH SALVATORE GALLO, 34, all from the Sacramento area, with bank fraud and conspiracy to launder money. In addition, MARTIN, FELLINI, and GALLO were indicted on charges of making false statements in loan applications, and MARTIN, FELLINI and VIRAMONTES were indicted on mail fraud charges. MARTIN was arrested at about 9:00 p.m. yesterday at a family member's house, FELLINI self-surrendered to federal authorities this morning at approximately 10:00 a.m., and GALLO self-surrendered in federal court at 2:00 p.m. It is expected that VIRAMONTES will voluntarily appear in court next week.

The case is the product of an extensive investigation conducted by the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigations, and the California Department of Real Estate.

According to Assistant United States Attorney Matthew Stegman, who is prosecuting the case, the indictment charges that from June 2006 through October 2006, the defendants individually and through VFM Investment Group, Esnian Mortgage Realty, and Freedom Capital Mortgage, engaged in a mortgage fraud scheme by asking people they solicited to act as straw purchasers of single family homes on behalf of others with bad credit who wished to purchase homes. Those solicited were told they would benefit financially from the transactions. The defendants then defrauded lenders such as Washington Mutual Bank and Fremont Investment and Loan by submitting fraudulent loan applications, representing straw purchasers of homes as actual purchasers of homes. The indictment further charges that the defendants submitted fraudulent loan applications on behalf of these straw purchasers, which falsely inflated the buyers' income, falsely stated that a buyer was employed at a specific job, and falsely stated that the properties would be owner-occupied. The indictment alleges that the purpose of the scheme was to ensure that the home purchase transactions closed, so that defendants would receive

substantial loan broker commissions and illegal kickbacks from real estate sales commissions.

If convicted, the maximum penalty for bank fraud is 30 years in prison and a fine of up to \$1 million, for mail fraud is 20 years in prison and a fine of up to \$250,000, and for money laundering is ten years in prison and a fine of up to \$250,000 or twice the value of the money laundered, which ever is greater. However, the actual sentence will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables, and any applicable statutory sentencing factors.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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